



Radiant Gems International PLC

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Company Registration No. PQ 197

28th May 2020.

Renuke Wijayawardhane,
Chief Regulatory Officer,

Colombo Stock Exchange,

04-01, West Block,

World Trade Centre, Echelon Square,

Colombo 01.

Dear Madam,

Assessing and Disclosing the Evolving Impact of COVID – 19

This refers to the your Circular No. 06-04-2020 and Circular No. 04-05-2020 on 20th April 2020 and 9th May 2020 respectively, on Corporate Disclosures to be made by Listed entities on the impact of COVID -19. We herewith disclose the impact of COVID – 19 on our Company as per the Guidance Note issued jointly by CSE and CA Sri Lanka.

Overall Impact

COVID -19 has materially and adversely impacted on the Company operations and financial condition due to discontinuation of Operations from 19th March 2020 till 22nd April 2020 and functioning only One Third of Operations from 23rd April 2020 to date. As a result, the company's net cash flows became negative leading to liquidity problems and the Company suffered from Serious Loss of Capital as at 31st March 2020.

Directors: Sidath Munasinghe (Chairman / Managing Director),
Sunil Abhayawardhane, Dinesh Madushanka.

Funding and Liquidity

Due to COVID -19 pandemic, the Company's cash inflows reduced significantly as the Company is solely export oriented, thereby export orders didn't process due to operational discontinuation, hence expected cash inflows weren't received. However, the Company has to pay for regular overhead expenses and monthly salaries to the staff, thus the Company's liquidity position further weakened materially. The Company also requested a TOD facility from the bank where the Company holds its operational bank account to improve the working capital, however no positive response was received.

The company is also in a difficulty to settle the Term Loan facility obtained from the bank, hence requested to grant an extended period to settle the Term Loan and the Interest for a period of Six month with effect from 1st April 2020 under the refinance loan scheme introduced by CBSL.

The Company recognized exchange loss of Rs 2.1 Million as at 31st March 2020 due to depreciation of the LKR against USD, thereby increasing the USD loans obtained by the Company.

No contingencies Identified related to COVID- 19.

No recoveries from our Clients due to COVID -19.

Impact on Assets

There are no significant changes in judgments in determining the fair value of assets of the Company measured in accordance with SLFRS. However the value of the Net asset of the Company will be reduced up to Rs 2.4 Million due to the loss of Rs 2.4 Million incurred by the Company for the financial year ended 31st March 2020 leading to serious loss of capital.

Impairment Provisioning

We have not anticipated any material impairments (e.g., with respect to goodwill, intangible assets, long-lived assets, right of use assets, investment securities), increases in allowance for credit losses, restructuring charges, other expenses, or changes in accounting judgments that have had or are reasonably likely to have a material impact on our financial statements.

Impact on Internal Operations

Internal operations of the Company were completely stopped on 19th March 2020 till 22nd April 2020 and functioning only One Third of Operations from 23rd April 2020 to date resulting in a reduction in the production of the Company, thereby couldn't meet the customer orders.

In addition, orders already processed were stagnant due to closure of operation of Gem and Jewelry Authority and Sri Lanka Customs.

Further, the financial reporting, and financial statement close process was also adversely affected due COVID-19, hence the stock counting process as at 31st March 2020 was not yet performed. However, there is no change to the Gem stock of the Company from 31st March 2020 to date as sale of Gems is not the major trading activity of the Company.

However internal controls over financial reporting remain the same without any influence.

Business Continuity

The Company experienced challenges in implementing the business continuity plans due to reduced export orders from our overseas clients.

The Company assumes that the principle of continuity remains the same due to the loyal client base of the Company and risk mitigating actions taken by the Company assuming that the pandemic condition will not be further adverse in the future. However, if the global pandemic situation would be further versed, it might materially impact on the business continuity as the Company solely depends on export orders from its foreign clients.

Impact on Supply Chain Management

We expect COVID-19 to materially affect the demand for our export orders, where 10% of reduction of export orders will be expected.

We also anticipate a material adverse impact of COVID-19 on our delivery of export orders due to discontinuation of Gem and Jewelry Authority and Sri Lanka Customs, hence reducing our export revenue and cash inflows.

Despite the expenses of the Company remaining the same, the revenue would be expected to reduce, hence worsening the relationship between costs and revenue.

Impact on Human Capital

The Company would employ One Third of its human resources of the factory as per the government Circulars; however no redundancies of employees will be expected, but a reduction of the Labor productivity would be expected due to the lack of contribution from the employees who are not attending to work due to government restrictions.

The Company's response to the impact of the COVID – 19 pandemic

As per the instruction given by MOH, the Company cleaned the factory before commencing the operations by spending Rs 250,000/- to ensure the health and safety of employees and management.

The Company also committed to maximum possible safety measures continuously by complying with the instructions given by health service authorities.

The Company prepared and implemented the HR plan by restricting the number of employees to be called for the work by complying with the guidelines issued by health service authorities.

The Company also committed to pay the salaries of all employees including basic salaries to certain staff who were not called for the work due to curfew, despite the financial difficulties, as a part of the Corporate Social Responsibility.

The Company assessed the financial impact of COVID – 19 pandemic, and undertook early actions to strengthen the working capital of the Company to ensure the continuity.

The Company prepared the Financial Statements reflecting the adverse impact of COVID – 19 pandemic on the Company operations.

The Company conducted the market assessment to analyze the impact of COVID – 19 pandemic on the Company customer base and future orders.

The Company undertook certain strategic actions to maintain the relationship with foreign clients, despite the future orders being reduced.

The Company's expectation of the future impact of COVID – 19 and future operational and the financial condition

In the long term, the Company expects at least 45% of reduction of export orders and revenue due to COVID – 19 pandemic, as the Company's foreign clients have already been adversely affected by the COVID – 19 pandemic, as maintaining social distance is a monetary requirement, hence, clients can't organize or participate for any Gem & Jewelry exhibitions where they attract buyers.

On above, the Company expects that the cash flows, working capital, profitability, continuity and overall operations would be materially and adversely affected in both short and long term.

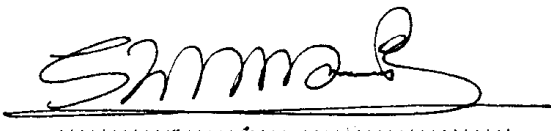
Unless, the pandemic situation gets better off, the impact on future operations of the Company wouldn't be positive and might get further worsened.

The major short term impact would be on the Company's cash flows which would be expected to be a negative cash flow and there would be a long term impact on the Company's employees. due to expected significant reduction of orders and export revenue.

However, there would not be an impact on brands or licenses of the Company.

Thank you

Yours sincerely

A handwritten signature in black ink, appearing to read 'S. M. M.', is written over a horizontal line. Below the line, there is a series of small, evenly spaced dots.

Chairman/Managing Director

RADIANT GEMS INTERNATIONAL PLC